
California Department of Water Resources



December 23, 2002

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DWR Restructures Three Long-Term Power Contracts
Cost Reduced by Up to \$84.3 Million

Sacramento - The California Department of Water Resources (DWR) today announced that it has successfully restructured three of its long-term power contracts and terminated another, reducing its overall cost by up to \$84.3 million.

The restructured contracts include:

- **Clearwood Electric Company LLC** – The restructured contract with Clearwood reduces the total overall cost of the contract from \$140 million to \$112 million, or \$28 million, over eight years. This contract will provide 25 megawatts of geothermal energy beginning in 2005 and ending in 2012, a reduction of two years from the original agreement. The price per megawatt hour of \$67.40 remains unchanged.
- **Wellhead Power LLC** – These are three, 10-year agreements providing 118 megawatts of dispatchable capacity. The state will save up to \$8.2 million from the original contracts by settling a dispute over plant start-up dates, as well as reducing the variable operating and maintenance payments. In addition, the state improved the reliability of the agreements by increasing performance guarantees and by adding anti-gaming provisions.

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- **County of Santa Cruz, Buena Vista Landfill Gas Project (Renewable)**– This restructured contract reduces the overall cost by \$1.8 million by cutting one year from the five-year agreement. This three-megawatt plant will be built in Watsonville, Santa Cruz County, and is expected to be online July 1, 2003. The total contract cost is now \$7.2 million over four years.

In addition, the Department terminated its amended five-year power contract with Capitol Power, Inc. for failing to meet the major milestones specified in the agreement. Specifically, Capitol failed to meet permit application deadlines and missed its agreed upon operation date by four months. The contract had been renegotiated in early 2002. The contract's total cost was \$46.3 million.

To date, the state has successfully renegotiated 21 long-term power agreements for a total savings of nearly \$5.1 billion. The state is continuing its efforts to renegotiate contracts with other energy suppliers.

The department's long-term power contracts are available to the public and can be found on the Department's California Energy Resources Scheduling Division web site at www.cers.water.ca.gov.

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